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Report Highlights:
Post forecasts marketing year (MY) 2010/11 wheat production at 12 million metric tons (MT) due to increased harvested area over MY 2009/10 as producers are expected to put more wheat land into the crop rotation. MY 2010/11 corn production is forecast to fall to 19.5 million MT as yields are expected to return to more normal levels following the excellent crop in MY 2009/10, offsetting an expected increase in area of 5 percent. MY 2010/11 wheat and corn exports are forecast at 7 and 11 million MT, respectively.

MY 2009/10 wheat production is estimated at 9.6 million MT while corn production is estimated at 20 million MT. MY 2009/10 exports for corn and wheat are estimated at 12 million MT and 4 million MT respectively.

Executive Summary:

Post forecasts marketing year (MY) 2010/11 wheat production at 12 million metric tons (MT) due to increased harvested area over MY 2009/10 as a result of the need to put more wheat land into the crop rotation. While soybeans are generally more profitable, many producers are concerned about the long-term negative impact of not rotating soybeans with other crops. Some local plant pathologists report that more pests are attacking soybean crops as a consequence of mono-cropping.

MY 2010/11 corn production is forecast to fall to 19.5 million MT due to yields returning to the long term trend on an expected 5 percent larger harvested area than that of MY 2009/10. Area is expected to increase due to the excellent results in MY 2009/2010, with farmers having lower costs and excellent yields due to favorable weather. As with wheat, producers are also looking to plant more corn in rotation with soybeans. Sorghum and rice production in MY 2010/11 is forecast at 3.6 million MT and 930,000 MT (milled basis) respectively.

Wheat yields for 2009/10 were higher, and corn and sorghum yields are expected to be much higher due to the timely and abundant rains that occurred from November 2009 through February 2010.

The farm sector continues to have major differences with the Argentine Government (GOA) over agricultural policies. Farmers' demands include the elimination of export taxes for agricultural products and lifting of restrictions on exports of wheat, corn and beef (see the policy section for additional information on export licensing requirements).

Export taxes on corn remain at 20 percent; and wheat export taxes are at 23 percent (see the policy section for additional information). Export licensing requirements have limited the numbers of buyers for the MY 2009/10 wheat crop, and also appear likely to limit the number of buyers for the corn crop currently being harvested.

The GOA's export policy is based on the issuance of export licenses on the basis of a supply and demand matrix set by the National Office of Agricultural Trade Control (ONCCA). ONCCA determines the amount of corn and wheat that is needed domestically and releases the excess for export. The export sector had authorization to export an initial 3 million MT quota when the wheat harvest started in December 2009. In February 2010, the GOA announced they will grant export licenses for an additional 1 million MT.

Commodities:

Wheat
Corn
Rice, Milled
Sorghum

Production:

Wheat

Post forecasts that next year's wheat harvested area will grow by 5 percent, reaching 4 million hectares, due to more farmers rotating wheat with soybeans. Based on average weather patterns and regular yields, MY 2010/11 production is set at 12 million MT. Post expects wheat area to increase due to several factors including: continued high prices, lower costs of production and better soil moisture conditions. Alternative crops such as barley and rapeseed are still somewhat risky. Private sources report that although rapeseed is a good option, producers still need to adjust agronomic practices to achieve its potential yield. As more farmers shifted to barley last year, malting companies became more selective and increased the quality standards, leaving much of the barley production out of the market for malting purposes. Off-contract barley production has resulted in many farmers having to sell their product at lower prices to feedlots for use as feedstock due to the lack of buyers.

Corn

Post estimates that the MY 2010/11 area planted with corn will increase by 5 percent, with a harvested area forecast of 2.6 million hectares. Based on expected average weather patterns, and yields in-line with the long term trend, MY 2010/11 production is forecast at 19.5 million MT. The primary factors that will influence farmers' decisions to plant corn are the same as for wheat mentioned above. Additionally, corn is a very high organic material content crop, leaving much more organic matter in the soil -- compared to soybean stubble. Producers concerned about the long-term impact of over production of soybeans are expected to increase area planted to corn.

Post estimates MY 2009/10 corn production at 20 million MT on a harvested area of 2.5 million hectares. Although yields will be higher than previous years, Post does not expect overall yield to exceed 8 tons per hectare based on feedback from contacts across the growing region.

Rice

Post forecasts MY 2010/11 milled rice production at 930,000 MT on 230,000 hectares. The Argentine rice sector is expected to increase slightly its planted area due to good international prices, increased export demand, and fewer marketing restrictions than in the other grains. Post estimates MY 2009/10 rice production at 910,000 MT on 220,000 hectares.

Sorghum

Post forecasts the MY 2010/11 sorghum area to fall to 800,000 hectares from the previous year's level of 850,000. Total production is forecast at 3.6 million MT. The area planted with sorghum in MY 2009/10 was larger than normal as farmers reacted to the drought in MY 2008/09 by planting a more drought resistant crop. Sorghum will continue to be an attractive alternative summer crop to corn, particularly on marginal lands due to lower input costs and greater drought tolerance. In addition, private sources report fewer problems in getting the export licenses approved than that for corn. Despite those positives, corn is still more profitable on good agricultural land.

Post increases its estimate for MY 2009/10 sorghum production to 4.16 million MT on a harvested area of 850,000 hectares. Private sources report very high yields in most of the production area with average yields of 4.9 MT/ha, with some lots reaching 8 MT/ha in Pergamino, province of Buenos Aires. Official government estimates place sorghum production at 3.2-3.9 million MT.

Consumption:

Wheat

Post forecasts MY 2010/11 total domestic wheat consumption stable at 5.08 million MT. Wheat for feed use is estimated at 80,000 MT, while food, seed, and industrial (FSI) consumption is forecast at 5.0 million MT.

Corn

Post forecasts that total domestic corn consumption for MY 2010/11 will increase to 7.5 million MT. Post has increased the feed component of consumption by 300,000 MT over the previous year due to the likely increase in supplemental feeding of cattle on farms, and the need for heavier slaughter weights as a result of a drop in the number of cattle going to slaughter in the coming years and higher cattle prices. Reportedly, the national herd has decreased in the last two years by four million head due to the severe drought in 2008/2009 and low prices. The current high prices are encouraging cattle producers to increase supplemental feeding with corn in order to increase in the slaughter weight. FSI consumption is forecast to increase slightly to 2.0 million MT.

Rice

Post forecasts domestic rice consumption for MY 2010/11 to remain at similar levels as the previous year at 320,000 MT. Rice is not a staple product for the Argentine consumer and is not an important part of the Argentine diet. Per capita rice consumption in Argentina is very stable at approximately 7 -8 kilos (rough basis).

Sorghum

Post forecasts domestic sorghum consumption for MY 2010/11 to increase slightly from the previous year to 2.4 million MT as a result of a steady demand for more supplemental feeding of cattle.

Post maintains its previous total consumption estimation for MY 2009/10 at 2.28 million MT, slightly above the current official USDA estimate. Sorghum for the feed component of consumption is estimated at 2.08 million MT. Reportedly, yellow sorghum (and other low-tannin varieties) is increasingly being used for dairy cows and poultry feed to replace corn in marginal areas where corn does not reach high yields, and freight costs from the other areas make corn too expensive.

Trade:

Wheat

Post forecasts MY 2010/11 wheat and wheat product exports to total 7 million MT, compared with the 4.0 million MT estimated for MY 2009/10, as increased production will make more wheat available for export.

Corn

On February 11, 2009, ONCCA authorized the approval of export licenses for 6,050,400 MT of corn for MY 2008/09. Actual exports for that crop totaled 10.1 million MT.

In February 2010, the GOA announced the approval of licenses for 10 million MT for corn and 1 million MT for wheat. To date, the accumulated corn volume licensed for export has reached 8.15 million MT.

Post forecasts MY 2010/11 corn exports at 11 million MT, 8 percent down from the estimate for MY 2009/10, due to higher domestic consumption and less corn production.

Rice

Post forecasts a slight increase in MY 2010/11 total rice exports to 610,000 MT due to high prices, and strong export demand from Brazil, Venezuela, and other markets, as well as a small increase in production.

Sorghum

Post forecasts MY 2010/11 sorghum exports at 1.3 million MT due to expected high demand. Post maintains it MY 2009/10 sorghum export forecast at 1.2 million MT, above the current USDA estimate of 1 million tons. Sources in the industry report high demand from Chile and Japan for MY 2009/10. Chile was the main market for Argentine sorghum in MY2008/09 with nearly 500,000 MT followed by Japan with 300,000 MT. This trend is expected to continue into the near future.

Policy:

Argentine policies for wheat and corn focus on maintaining adequate domestic supplies at reduced prices. Mechanisms to achieve this include subsidies for wheat and corn mills supplying the domestic market, export taxes and controls on export licenses. The government also maintains a subsidy program for small and medium producers to rebate part of the export tax paid, and gives priority to these producers for purchases for domestic consumption and exports.

-- Domestic subsidies for wheat and corn mills

On January 11, 2007, the National Office of Agricultural Trade Control (ONCCA) issued Resolution 9/2007 which established the criteria to subsidize those wheat and corn mills that supply the domestic market for the country's internal consumption. Resolution 2242/2009 established that, as of April 2009, the system to calculate the subsidy for wheat products was modified to subsidize only those wheat mills that sell 50 Kg. bags of '000" flour to the domestic market at a price established by the Secretariat of Domestic Trade.

According to the regulation, payment is made effective on a monthly basis. ONCCA compensates millers for the volume of wheat sold in the domestic market for the manufacturing of bread or other staple foods. Millers are required to prove that they paid the theoretical FAS price (established by the GOA) to farmers. Additionally, ONCCA establishes maximum volumes per mill eligible to receive subsidies. The subsidy is the value per metric ton resulting from the difference between the Theoretical FAS price (TFP), published by the Ministry of Agriculture (MAGPyA) and the "supply price" (SP) published by Secretariat of Domestic Trade. Current supply price has been established by resolution 83/2009 at 420 pesos per MT for wheat and 293 pesos per MT for corn.

PRODUCT	MAGPyA Market (FAS) Price (AR$ / TON)	ONCCA Supply Price (AR$ / TON)	Subsidy to the wheat mill (AR$/TON)
Wheat 2010 (03-17-2010)	592	420	172
Wheat 2009	561	420	141

Total of Subsidies Granted to the Agricultural Sector January – March 2010			
Beneficiary	**Number of Beneficiaries**	**Value (US$)**	**Average Amount per Beneficiary (US$)**
Dairy farms	17,028.00	44,541,394.91	2,615.77
Poultry plants	54.00	47,952,371.85	888,006.89
Wheat mills	125.00	79,896,752.69	639,174.02
Feed lots	296.00	60,898,556.12	205,738.37
Dairy calves ranches	32.00	70,128.53	2,191.52
Corn meal mills	3.00	331,041.62	110,347.21
Wheat farmers	23.00	83,587.32	3,634.23
TOTAL	**17,561.00**	**233,773,833.05**	**13,312.10**
Total subsidies granted to the Agricultural Sector 2007 - 2010			
Beneficiary	**Number of Beneficiaries**	**Values (US$)**	**Average Amount per Beneficiary (US$)**
Dairy farms	171,071.00	248,169,488.77	1,450.68
Poultry plants	914.00	375,576,691.77	410,915.42
Wheat mills	1.60	520,423,804.21	324,858,804.13
Feed lots	4.80	401,247,962.58	83,558,509.49
Dairy calves ranches	784.00	1,775,064.27	2,264.11
Wheat farms	25,636.00	87,125,805.96	3,398.57
Corn meal mills	48.00	3,679,143.47	76,648.82
Dairy plants	181.00	158,321,627.10	874,705.12
Pig farms	2,048.00	22,972,959.54	11,217.27
Small soybean and sunflower farmers	26.00	134,695.45	5,180.59
Crushing plants	62.00	72,545,200.93	1,170,083.89
TOTAL	**207,174.00**	**1,891,972,444.05**	**9,132.29**

-- Small and Medium Farmer Subsidy

On March 1, 2010, the GOA issued resolution 57/2010 that creates the subsidy system for the MY 2009/10 wheat and corn harvest for small- and medium-sized farmers. Resolution 57/2010 deems small and medium farmer as those who produce up to 800 MT of wheat and 1,240 MT of corn. The amount to be granted will be that of the export tax for each grain which will be established by subtracting the TFP to the Free on Board (FOB) official price. Both prices are published every day in the MAGPyA Internet site (www.minagri.gob.ar).

In order to receive this subsidy, farmers have to prove that they are small- or medium-sized producers. That requires the submission of a series of forms to the municipal/local authorities. Once the farmer has been approved, he/she is included in a list of farmers eligible to receive the benefit. The domestic milling sector and the export sector are then obliged to buy wheat from those farmers at the TFP (currently at US$152 per MT). However, reportedly, the cost of freight charged to farmers for delivery from the farm gate to the mill and/or port is now considerably higher than in previous years.

Export Licenses

On May 28, 2008, ONCCA issued resolution 543/2008 which establishes the rules for the allocation of export licenses (ROE verde) that are applied in Argentina with the objective of maintaining a steady supply to the domestic market. According to this resolution, exporters have 45 days from the date they request an export license to notify the Argentine Customs Office which destination the shipment will be sent to. However, if the exporter opts to pay the applied export tax within 5 days after the license is approved, ONCCA will extend the destination notification period to 365 days.

ONCCA grants licenses depending on:

1. Export surplus;
2. Exporter history (this allows all exporters to participate in the market); and,
3. Proof that the product is owned by the exporter.

Export surplus is determined by:

1. Stocks declared before ONCCA by elevators and others actors, as well as sales to processors minus the domestic consumption, less 20 percent for error;
2. Crop production estimates carried out by MAGPyA, minus the domestic consumption, minus the 20 percent for error; and,
3. Adjustments and revisions that are carried out every three months to control for errors.

ONCCA announced wheat and corn export quotas in advance of the harvest until February 2009. After that date the volumes approved for export have been allocated day by day without an official regulation that establishes a ceiling.

ONCCA Wheat Export License Authorizations (MT)	
6/12/2008	1,009,615
7/28/2008	902,608
8/25/2008	1,438,660
10/8/2008	1,763,063
11/27/2008	1,782,337
2/11/2009	520,056
May 2009	100,000
June 2009	394,700
October 2009	965,556
November 2009	1,604,373
December 2009	574,656
January 2010	48,355
February 2010	125,697
March 2010	220,747

Import Tariffs, Export Taxes and Rebates			
HS Code - Product	Import tariff (%)	Export tax (%)	Rebate (%)
1001 - Wheat	10	23	0
1101 - Flour	12	13	0
190219 Pasta 1	16	5	0
190230 Pasta 2	16	5	6
190240 Couscous	16	5	5
1005 - Corn	8	20	0
100610 Paddy rice	10	10	0
100620 Brown rice	10	5	0
100630 Milled rice	12	5	0
100640 broken rice	10	10	0
1007 - Sorghum	8	20	0

Production, Supply and Demand Data Statistics:

(1,000 metric tons)

Wheat Argentina	**2008**			**2009**			**2010**		
	2008/2009			**2009/2010**			**2010/2011**		
	Market Year Begin: Dec 2008			**Market Year Begin: Dec 2009**			**Market Year Begin: Dec 2010**		
	USDA Official Data		**New Post Data**	**USDA Official Data**		**New Post Data**	**USDA Official Data**		**March Data**
Area Harvested - 1,000 hectares	4,550	4,550	4,550	3,200	3,000	3,200			4,000
Beginning Stocks	3,067	3,067	3,067	426	426	426			1,051
Production	9,000	9,000	9,000	9,600	9,000	9,600			12,000
MY Imports	25	25	25	5	5	5			5
TY Imports	46	46	46	5	5	5			5
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	12,092	12,092	12,092	10,031	9,431	10,031			13,056
MY Exports	6,686	6,686	6,686	4,000	4,000	4,000			7,000
TY Exports	8,598	8,598	8,598	4,500	5,000	4,500			0

Feed and Residual	80	80	80	80	80	80			80
FSI Consumption	4,900	4,900	4,900	4,900	4,900	4,900			5,000
Total Consumption	4,980	4,980	4,980	4,980	4,980	4,980			5,080
Ending Stocks	426	426	426	1,051	451	1,051			976
Total Distribution	12,092	12,092	12,092	10,031	9,431	10,031			13,051
Yield	2.0	2.0	2.0	3.0	3.0	3.0			3.0

Corn Argentina	**2008**			**2009**			**2010**		
	2008/2009			**2009/2010**			**2010/2011**		
	Market Year Begin: Mar 2009			**Market Year Begin: Mar 2010**			**Market Year Begin: Mar 2010**		
	USDA Official Data		**New Post Data**	**USDA Official Data**		**New Post Data**	**USDA Official Data**		**March Data**
Area Harvested - 1,000 hectares	2,500	2,250	2,500	2,500	2,150	2,500			2600
Beginning Stocks	1,985	1,985	1,985	610	210	610			1,535
Production	15,000	13,000	15,000	21,000	17,200	20,000			19,500
MY Imports	125	125	125	25	25	25			25
TY Imports	100	100	100	25	25	25			25
TY Imp. from U.S.	1	0	1	0	0	0			0
Total Supply	17,110	15,110	17,110	21,635	17,435	20,635			21,060
MY Exports	10,100	8,800	10,100	12,000	9,500	12,000			11,000
TY Exports	8,458	8,460	8,458	12,000	8,000	12,000			11,000
Feed and Residual	4,500	4,200	4,500	5,200	5,200	5,200			5,500
FSI Consumption	1,900	1,900	1,900	1,900	1,900	1,900			2,000
Total Consumption	6,400	6,100	6,400	7,100	7,100	7,100			7,500
Ending Stocks	610	210	610	2,535	835	1,535			2,560
Total Distribution	17,110	15,110	17,110	21,635	17,435	20,635			21,060
Yield	6.0	6.0	6.0	8.4	8.0	8.0			7.5

Rice Milled Argentina	**2008**			**2009**			**2010**		
	2008/2009			**2009/2010**			**2010/2011**		
	Market Year Begin: Apr 2009			**Market Year Begin: Apr 2010**			**Market Year Begin: Apr 2011**		
	USDA Official Data		**New Post Data**	**USDA Official Data**		**New Post Data**	**USDA Official Data**		**March Data**
Area Harvested - 1,000 hectares	192	200	192	210	210	220			230
Beginning Stocks	132	70	132	70	115	70			70
Milled Production	780	900	780	949	950	910			930
Rough Production	1,200	1,385	1,200	1,460	1,462	1,400			1,431
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500			6,500

MY Imports	10	10	10	10	10	10			10
TY Imports	10	10	10	10	10	10			10
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	922	980	922	1,029	1,075	990			1,010
MY Exports	550	550	550	600	600	600			610
TY Exports	600	500	600	550	550	550			560
Consumption and Residual	302	315	302	325	320	320			320
Ending Stocks	70	115	70	104	155	70			80
Total Distribution	922	980	922	1,029	1,075	990			1,010
Yield (Rough)	6.25	6.925	6.25	6.95	6.96	6.36			6.22

Sorghum Argentina	**2008**			**2009**			**2010**		
	2008/2009			**2009/2010**			**2010/2011**		
	Market Year Begin: Mar 2009			**Market Year Begin: Mar 2010**			**Market Year Begin: Mar 2011**		
	USDA Official Data		**New Post**	**USDA Official Data**		**New Post**	**USDA Official Data**		**March**
			Data			**Data**			**Data**
Area Harvested - 1,000 ha.	450	600	450	850	720	850			800
Beginning Stocks	695	180	695	156	180	156			841
Production	1,660	2,300	1,660	3,800	3,500	4,165			3,600
MY Imports	1	0	1	0	0	0			0
TY Imports	1	0	1	0	0	0			0
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	2,356	2,480	2,356	3,956	3,680	4,321			4,441
MY Exports	1,100	800	1,100	1,000	1,200	1,200			1,300
TY Exports	907	700	907	1,000	1,100	1,100			1,100
Feed and Residual	1,000	1,300	1,000	2,000	2,080	2,080			2,200
FSI Consumption	100	200	100	200	200	200			200
Total Consumption	1,100	1,500	1,100	2,200	2,280	2,280			2,400
Ending Stocks	156	180	156	756	200	841			741
Total Distribution	2,356	2,480	2,356	3,956	3,680	4,321			4,441
Yield	3.69	3.83	3.69	4.47	4.86	4.90			4.50

Author Defined: